

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

Docket No. 06-4

Respondent: Kevin O'Quinn
Title: Director – Regulatory
Accounting

REQUEST: Department of Telecommunications and Energy, Set #1

DATED: June 21, 2006

ITEM: DTE 1-1 What is the current deficit from the prior directory assistance funding scheme and how was that deficit calculated?

REPLY: The deficit of \$10,664,035 as of March 2006 is calculated below.

	Year - end <u>2002</u>		March YTD <u>2006</u>
1 Deficit	\$43,050,000		
2 Underdepreciated Capital Expenditures		+	1,238,591
3 Residential DA Revenues		-	15,500,285
4 E911 Backbilling Offset		-	3,574,893
5 Deficit Recovery Surcharge Revenues		-	18,230,247
6 Current Deficit			6,983,166
7 Interest		+	<u>3,680,869</u>
8 New Deficit			\$10,664,035

Regarding the calculation, the original deficit of \$43,050,000, identified in the Twelfth Annual Tracking Report filed in June 2003, is adjusted each month to account for residence Directory Assistance revenues, CLEC Billing Offset, Deficit Recovery surcharge revenues, depreciation and interest. Please also see attachment 2 of the attached report filed with the DTE on September 20, 2005 which shows the calculation of the deficit as of June 30, 2005.

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ITEM: DTE 1-2 Has Verizon conducted an independent audit of its residential directory assistance revenues and E911/disability access program costs to determine the accuracy of the current deficit level since the audit performed pursuant to the Department's directives in D.T.E. 03-63, the proceeding to establish the interim E911 surcharge? If not, what actions has Verizon taken to ensure the accuracy of the current deficit level?

REPLY: No. Verizon MA relies on its financial systems and reports that were audited pursuant to the Department's directives in D.T.E. 03-63 to ensure the accuracy of residential directory assistance revenues. The revenue systems are also subject to an annual external audit. Please note that E911/disability access program costs beginning in 2003 are not a component of the current deficit level. Please also see DTE 1-1 for the calculation of the deficit level.

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ITEM: DTE 1-3 Identify all sources of revenue, including but not limited to revenue received from directory assistance, tariff fees, interconnection agreements, or from legislative assessments, used to offset E911 expenses. Provide the actual or anticipated level of E911 revenues from these sources for fiscal year ("FY") 2004 through FY 2008.

REPLY: Verizon MA bills SETB for the provision of E911 services pursuant to a Customer Specific Contract on file with the Department in DTE 12 Part E Section 2. Specific customer billing is considered proprietary information and will be provided pursuant to a confidentiality agreement. Future billing will be based on contracts/tariffs in effect. In addition, as shown in DTE 1-1 revenues for Directory Assistance, CLEC Billing Offset and certain surcharge revenues have reduced the prior deficit. For a description of future offsets, see response to DTE 1-6.

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ITEM: DTE 1-4 Please provide a copy of the current relay services contract between Verizon and Sprint.

REPLY: The requested information is proprietary and competitively sensitive and will be furnished to parties other than the Department in accordance with the terms of a protective agreement.

Please see the proprietary attachment.

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ITEM: DTE 1-5 What are the actual uncollectible E911 revenues for FY 2001 through FY2005?

REPLY: Verizon MA does not track E911 uncollectible revenues separately from other uncollectible revenues.

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ITEM: DTE 1-6 Provide data to support the deficit reduction amounts - attributable to the application of Verizon's directory assistance revenues beginning in September 2003 and projected through December 31, 2007 - contained in SETB's May 26, 2006 filing.

REPLY: Please see response to DTE 1-1 for the calculation of the deficit reduction. Revenues associated with Directory Assistance revenues are not included in SETB's May 26, 2006 filing. Based on current projections, the deficit is expected to be fully recovered in the first quarter of 2007.

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ITEM: DTE 1-7 Provide the current interest rate on the existing deficit, total accrued interest, and a five year projection of the remaining interest for Scenarios 1 and 2 of SETB's May 26, 2006 filing.

REPLY: An interest rate of 5.69% is being utilized during 2006. Total interest accrued from September 2003 through March 2006 was \$2,531,002. Total interest is anticipated to be \$2,786,736 for both Scenarios 1 and 2.